REDACTED
Rocky Mountain Power
Exhibit RMP___(SAB-1)
Docket No. 20000-___-ER-11
Witness: Stefan A. Bird

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Redacted Exhibit Accompanying Direct Testimony of Stefan A. Bird

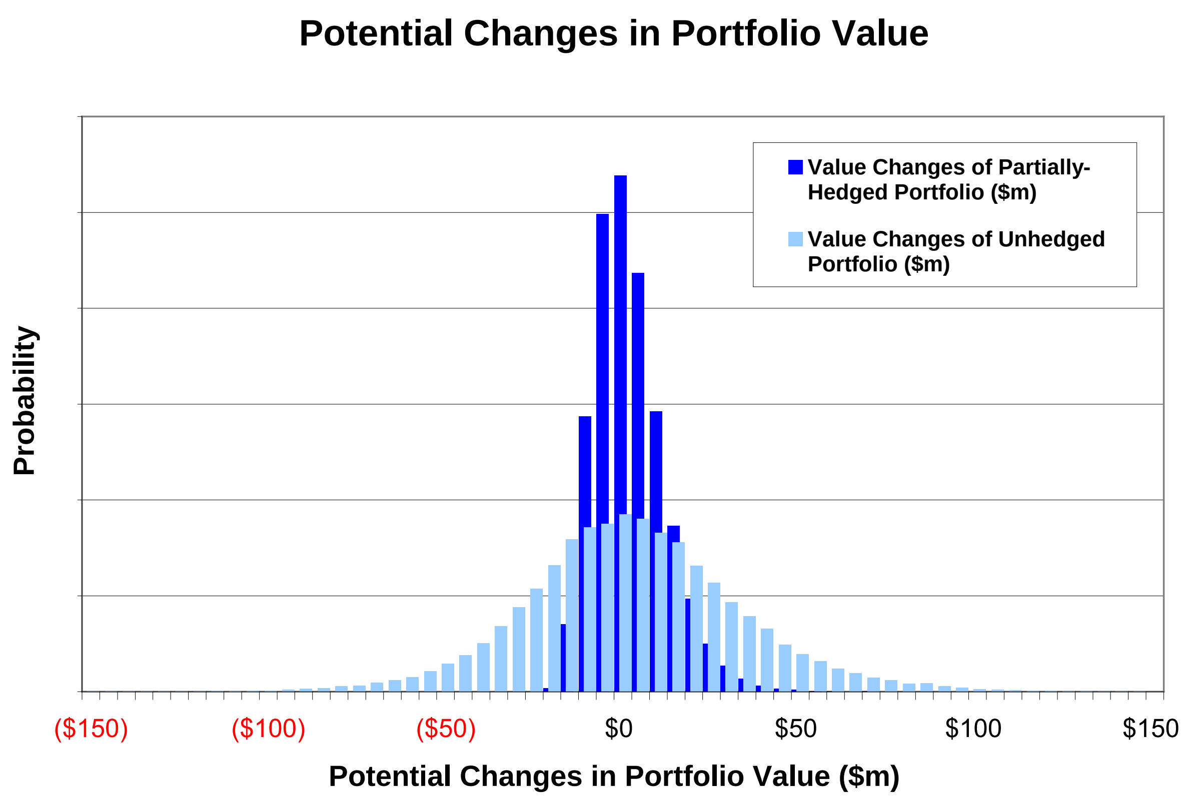
TEVaR Summary

December 2011

A new risk metric, to-expiry value-at-risk (TEVaR), implemented in May 2010, measures statistical net combined fixed-price exposure of natural gas and power open positions through expiry. This replaces independent hedge volume percentages of natural gas and power.

This provides improved transparency of the hedge program and fixed price risk exposure, while maintaining the hedge program goal of reducing net power cost volatility within pre-determined risk bands.

The purpose of hedging is to narrow the range of outcomes, as shown in the chart below. The light blue bars represent the range of potential changes in portfolio value for an unhedged portfolio, whereas the dark blue bars represent the range of potential changes in portfolio value for a hedged portfolio. Clearly, the exposure to a loss is greatly reduced, albeit the exposure to a gain is roughly equally reduced, through hedging.



The hedge program using TEVaR incorporates risk bands of combined natural gas and power exposure. The bands, as shown in the chart below, progressively narrow the risk exposure closer to the time of delivery. In this chart, the bands are depicted as a percentage of net power costs to provide better linkage to costs impacting customers.

[redacted]

Shown graphically using April 30, 2010 data, the TEVaR for the four forward 12-month rolling periods are within the risk bands. In this chart, all values are shown in dollars, where the risk bands are the forecast net power costs multiplied by the percentages above. Year 3 TEVaR is low due to largely offsetting power and natural gas positions.

[redacted]